

“(II) in the case of any residence with a rating system score which is lower than that which corresponds to such IECC Standard Reference Design by not less than 5 points, \$500 for each 5 points by which the rating system score which corresponds to such IECC Standard Reference Design exceeds the rating system score of such residence (in addition to the amount provided under clause (i), if applicable).

“(iv) LIMITATION.—In no event shall the amount determined under this subparagraph exceed \$8,000 with respect to any individual.

“(2) LIMITATION BASED ON AMOUNT OF TAX.—In the case of taxable years to which section 26(a)(2) does not apply, the credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under this subpart (other than this section and sections 23, 24, and 25B) and section 27 for the taxable year.

“(C) QUALIFIED HOME ENERGY EFFICIENCY EXPENDITURES.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified home energy efficiency expenditures’ means any amount paid or incurred for a qualified whole home energy efficiency retrofit, including the cost of audit diagnostic procedures, of a principal residence of the taxpayer which is located in the United States.

“(2) QUALIFIED WHOLE HOME ENERGY EFFICIENCY RETROFIT.—

“(A) IN GENERAL.—The term ‘qualified whole home energy efficiency retrofit’ means a retrofit of an existing residence if, after such retrofit, such residence—

“(i) has a rating system score of not greater than—

“(I) 100, determined under the HERS Index, in the case of a residence the construction of which is completed before January 1, 2000, and

“(II) the rating system score which corresponds to the IECC Standard Reference Design for a home of the size and in the climate zone of such residence, in the case of a residence the construction of which is completed after December 31, 1999, or

“(ii) achieves a degree of energy efficiency improvement which is equivalent to the standard applicable to such residence under clause (i), as determined by the Secretary.

For purposes of the preceding sentence, the HERS Index is the HERS Index established by the Residential Energy Services Network, as in effect on January 1, 2011.

“(B) ACCREDITATION RULE.—A retrofit shall not be treated as a qualified whole home energy efficiency retrofit unless such retrofit is conducted by a company which is accredited by the Building Performance Institute, or which fulfills an equivalent standard as determined by the Secretary.

“(C) DETERMINATION OF RATING SYSTEM SCORE OR EQUIVALENT.—

“(i) IN GENERAL.—Subject to clause (ii), the rating system score of a residence, or the equivalent described in subparagraph (A)(ii), shall be determined by an auditor or rater certified by the Residential Energy Services Network or the Building Performance Institute.

“(ii) SECRETARIAL DETERMINATION.—At the discretion of the Secretary, the Secretary may, in consultation with the Secretary of Energy, determine an alternative standard for certification of an auditor or rater for purposes of determining the rating system score (or equivalent described in subparagraph (A)(ii)) of a residence. If the Secretary establishes such an alternative standard, clause (i) shall cease to apply unless the Secretary determines otherwise.

“(D) REGULATIONS.—Not later than December 31, 2011, in consultation with the Secretary, the Secretary of Energy shall prescribe regulations which specify the costs with respect to energy improvements which may be taken into account under this paragraph as part of a qualified whole home energy efficiency retrofit.

“(3) NO DOUBLE BENEFIT.—

“(A) IN GENERAL.—No credit shall be allowed under this section for any taxable year in which the taxpayer elects the credit under section 25C.

“(B) NO DOUBLE BENEFIT FOR CERTAIN EXPENDITURES.—The term ‘qualified home energy efficiency expenditures’ shall not include any expenditure for which a deduction or credit is otherwise allowed to the taxpayer under this chapter for the taxable year or with respect to which the taxpayer receives any Federal rebate.

“(4) PRINCIPAL RESIDENCE.—The term ‘principal residence’ has the same meaning as when used in section 121, except that—

“(A) no ownership requirement shall be imposed, and

“(B) the period for which a building is treated as used as a principal residence shall also include the 60-day period ending on the 1st day on which it would (but for this subparagraph) first be treated as used as a principal residence.

“(d) RATING SYSTEM SCORE.—For purposes of this section—

“(1) IN GENERAL.—Subject to paragraph (2), the rating system score shall be the score assigned under the HERS Index established by the Residential Energy Services Network.

“(2) SECRETARIAL DETERMINATION.—At the discretion of the Secretary, the Secretary may, in consultation with the Secretary of Energy, determine an alternative rating system (including an alternative system based on the HERS Index established by the Residential Energy Services Network). If the Secretary establishes such an alternative rating system, the rating system score with respect to any residence shall be the score assigned under such alternative rating system.

“(e) IECC STANDARD REFERENCE DESIGN.—

“(1) IN GENERAL.—The term ‘IECC Standard Reference Design’ means the Standard Reference Design determined under the International Energy Conservation Code in effect for the taxable year in which the credit under this section is determined.

“(2) LIMITATION TO RESIDENCES CONSTRUCTED AFTER EFFECTIVE DATE OF MOST RECENT CODE.—No credit shall be allowed under this section with respect to a principal residence the construction of which is completed after the effective date of the International Energy Conservation Code in effect for the taxable year for which such credit would otherwise be determined.

“(f) SPECIAL RULES.—For purposes of this section, rules similar to the rules under paragraphs (4), (5), (6), (7), and (8) of section 25D(e) and section 25C(e)(2) shall apply.

“(g) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section with respect to any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

“(h) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

“(i) TERMINATION.—This section shall not apply with respect to any costs paid or incurred after December 31, 2013.”

(b) CONFORMING AMENDMENTS.—

(1) Section 26(a)(1) of the Internal Revenue Code of 1986 is amended by inserting “25E,” after “25D”.

(2) Section 1016(a) of such Code is amended by striking “and” at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting “, and”, and by adding at the end the following new paragraph:

“(38) to the extent provided in section 25E(g).”

(3) Section 6501(m) of such Code is amended by inserting “25E(h),” after “section”.

(4) The table of sections for subpart A of part IV of subchapter A chapter 1 of such Code is amended by inserting after the item relating to section 25D the following new item:

“Sec. 25E. Performance based energy improvements.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2010.

By Mr. REID. (for himself, Mr. ENSIGN, Mr. HARKIN, Mr. TESTER, Mr. BENNET, and Ms. KLOBUCHAR):

S. 3438. A bill to promote clean energy infrastructure for rural communities; to the Committee on Finance.

Mr. REID. Mr. President, in 1935, President Franklin Delano Roosevelt signed the Rural Electrification Act to bring electricity to the sparsely-populated rural areas of our vast Nation. Today, with advances in renewable energy from the sun, the wind, water, and geothermal energy beneath the Earth's surface, our rural communities are ready to produce clean, renewable electricity and sell it to cities and towns. Just as our national highway system grew out of the network of farm roads to bring agricultural products to market, our electric transmission system needs connections to rural areas to bring our abundant rural renewable energy resources to load centers. For example, Nye and Lincoln counties in Nevada have the potential to generate more solar and wind energy than their small populations can use. Without transmission to connect these rural areas to load centers, they cannot fully develop their local renewable energy industry and are losing out on important opportunities to create jobs and diversify their economies.

That is why I am introducing two bills today to give rural communities more options to finance the clean energy infrastructure we need to develop our rich renewable resources. These two bills would help rural communities fund clean energy infrastructure, which will create many short and long term jobs and attract badly needed investment in rural Nevada's struggling economy. While Nevada is in an especially good position to benefit from this bill, I am pleased to be joined by Senators ENSIGN, HARKIN, TESTER, MICHAEL BENNET, and KLOBUCHAR whose states also have renewable energy resources stranded by a lack of transmission.

Existing government loan and tax-exempt bond programs are available to finance rural renewable generation, but not to finance the connections between that generation and the high-voltage